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C O N F I D E N T I A L SECTION 01 OF 03 SANTIAGO 000755

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CSMOTHERS,
COMMERCE FOR DPAREKH, KMANN
LABOR FOR ILAB--CGAY
STATE PLEASE PASS TO FEDERAL RESERVE TOM CONNORS
TREASURY FOR BLINDQUIST
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E.O. 12958: DECL: 08/04/2019

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SUBJECT: INTRODUCING SEBASTIAN PINERA: CHILE'S
CENTER-RIGHT PRESIDENTIAL CANDIDATE

Classified By: DCM Carol Urban for reasons 1.4 (b and d)

¶1. (SBU) Summary: In his second serious run for the presidency, colorful billionaire and centrist Sebastian Pinera is attempting to end two decades of rule by the center-left Concertacion coalition. A savvy, Harvard-educated investor and former senator known to work seven days a week, Pinera ranks 701 in Forbes' list of wealthy individuals. As a prominent politician and businessman known for piloting his private helicopter, Pinera is no stranger to scandal, or the public eye. End summary.

The Billionaire Candidate

¶2. (SBU) Sebastian Pinera was born December 1, 1949 in Santiago, Chile, the third of the six children of Jose Pinera Carvallo and Magdalena Echenique Rozas. As a young child, Pinera lived in New York for four years while his father worked for CORFO, an economic development agency of the Chilean government. The family also lived in Belgium when his father later served as Ambassador during the presidency of Eduardo Frei Montalva (1964-1970). Pinera's father helped establish the Christian Democratic Party and also served as Ambassador to the UN.

¶3. (SBU) Pinera studied Business Administration at the Catholic University in Santiago (1971), where he received the Raul Iver Award -- the highest distinction possible. In 1973 he went as a Fulbright scholar to Harvard (where his older brother Jose also studied) and earned a Masters and PhD in Economics. The dedication he showed to his academic endeavors carried over into the business world, where he is known as an ambitious workaholic.

¶4. (U) Upon his return to Chile in 1976, Pinera held a number of jobs in international organizations such as the World Bank, the Inter American Development Bank (IDB), and the Economic Commission for Latin America and the Caribbean (ECLAC). His work focused on projects designed to reduce poverty in Latin America.

¶5. (SBU) In the 1980's, Pinera moved into the private sector, where he demonstrated his ability to successfully

navigate financial markets. After making a small fortune as a financial advisor, Pinera started Tolten, a homebuilding business. The success of this company provided the capital to invest in other business ventures, among them Bancard -- the corporation that introduced credit cards to Chile. Bancard brought Pinera more wealth and he continued to invest in a variety of Chilean industries. Among his most noteworthy acquisitions are a 27 percent stake in national airline LAN Chile, a 13 percent stake in soccer team Colo Colo, and full ownership of television station Chilevision. In 2009 Forbes ranked him number 701 on a list of the world's richest people, with a fortune of USD 1.3 billion. Pinera prides himself on being a self-made billionaire.

A Dream Deferred: Pinera,s Pining for the Presidency

¶16. (SBU) Growing up in a Christian Democrat family influenced Pinera's early political leanings, and Pinera was known to sympathize with the Christian Democrats during the dictatorship. He speaks openly about how Christian Democrat Eduardo Frei Montalva -- President of Chile from 1964-1970, a friend of his father's, and father of his main presidential opponent --influenced his political beliefs. Pinera keeps a statue of the former president on his desk, and praises his social and democratic vision. Pinera attributes his own shift away from the Christian Democrats to their "backwards" economic policies.

¶17. (U) Pinera voted "No" in the 1988 plebiscite, the option that voted down eight more years of military rule by Pinochet and paved the way for the democratic transition and elections

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in 1989. Pinera and other young leaders of the center right who supported a democratic transition were unpopular with hardline conservatives who staunchly supported Pinochet. Pinera ran for senator in eastern Santiago in 1989 as an independent supporting the National Renewal party (RN). After winning the election, he officially aligned himself with RN, a center-right party. During his eight years as senator, Pinera gained the respect of his colleagues for his work on a variety of issues, including on the Senate Finance Committee. In a vote of his peers, Pinera was chosen as one of the two best senators for the period of 1990-1998. He did not run for reelection.

¶18. (SBU) After his stint as senator, Pinera remained active in the Chilean political arena. He was RN's presidential pre-candidate in 1999 but stepped aside so his opposition Alianza coalition counterpart, Joaquin Lavín of the Independent Democratic Union (UDI), could run unhindered. (Lavín lost in a runoff by a small margin.) Under Pinera's leadership as RN party president from 2001) 2004 the party shifted toward the center. In 2005 Pinera decided to run as RN's presidential candidate, splitting the Alianza coalition, as Lavín was running again as the UDI candidate. Pinera edged out Lavín in the first round) generating resentment in the UDI -- but then lost by seven percentage points to the Concertación's Michelle Bachelet in a runoff. After his loss, he quickly shifted his sights to the 2009 presidential campaign.

¶19. (C) In the political sphere, as in the business world, Pinera is known for his independence. Many Alianza members, especially those from more conservative coalition partner party the Independent Democratic Union (UDI), are uncomfortable with Pinera's outspoken criticism of Pinochet, and especially with his characterization of the now deceased President as one of the worst in Chile's history. Pinera's recent statements in support of legal distribution of the day-after pill, an emergency contraceptive that the Catholic Church and staunch UDI conservatives lobbied heavily against, has only made his relationship with conservatives more difficult. Pinera's willingness to distance himself from the far right could earn him the support of some moderate

Concertacion members but, if he is to win the election, he must attend to the conservative base of the UDI.

Arrest Warrants and Insider Trading

¶10. (SBU) Pinera has been involved in numerous financial and political scandals over the years, including one which led to fines on one of his companies for insider trading. A high-profile political scandal involving one of his party rivals in 1992 forced him to withdraw his name as a presidential contender in the 1993 elections.

¶11. (SBU) One scandal that has come back to haunt him recently was an arrest warrant issued against him in 1982 after the Bank of Talca accused him of financial fraud for loans made when he was both general manager and a small shareholder of the bank. (Note: Chile's entire banking system went through a major crisis in 1982, followed by government intervention and restructuring. End note). Pinera went into hiding for 24 days in order to avoid being formally served with the arrest warrant. Pinera's lawyers placed an injunction on the case, which was heard by the Supreme Court. The injunction was accepted and the case dismissed. The charges were never investigated.

¶12. (SBU) While old news, the Bank of Talca case became a campaign issue recently when a Pinochet-era Justice Minister stated in a television interview that she had intervened on Pinera's behalf with the presiding judge. The ensuing flap has led to questions about whether Pinera was a fugitive. It also generated doubt regarding whether the Supreme Court -- not known for its impartiality during the Pinochet years -- was also influenced in Pinera's favor. The entire scandal,

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including the potential role played by his brother Jose, a member of Pinochet's cabinet, makes it harder for Sebastian Pinera to distance himself from the Pinochet regime.

The Pinera Campaign: A Family Effort

¶13. (U) Pinera has been married for over thirty years to Cecilia Morel Montes and has four adult children: Magdalena, Cecilia, Sebastian and Cristobal. Pinera is surrounded by family advisors. His younger sister Magdalena ("Pichita") runs his charity, the Future Foundation, and his daughter Magdalena ("Manena") is a key player in the campaign. His sons also work on the campaign and appear with the candidate in press conferences and other public events.

A Hard-Driving Candidate Striving for a Softer Image

¶14. (C) Pinera is known for his rigor, intelligence and dedication. He works seven days a week and sleeps little. He has high expectations of his staff and does not tolerate others showing up unprepared for a meeting. He applies the same standards to himself and expects to have several hours notice before a briefing so that he can do his own research and be an informed audience. He will listen and consider an opinion he considers substantive, but will interrupt and even ask someone to leave if he feels they are not making a valuable contribution. He makes high demands on his staff but rewards loyalty.

¶15. (C) As a presidential candidate, Pinera has tried to eschew his billionaire image and show his human side. Despite these efforts, polls show that voters feel less connection to Pinera than to any of the other presidential candidates. He campaigns tirelessly around Chile, calling himself the "locomotive," and he has embraced new social networking technology like Facebook and Twitter. Despite his efforts to cultivate a "man of the people" image, he continues to pilot his private helicopter and invite

high-society friends to his vacation homes.

COMMENT

¶16. (C) The public accurately perceives Pinera as a highly educated and wildly successful businessman. He presents himself as the candidate who can offer change after 20 years of Concertacion rule. However, on his fourth attempt at the presidency, Pinera's is hardly a "new" face, especially compared to 36-year-old upstart candidate Marco Enriquez-Ominami. There is no doubt Pinera is a formidable candidate with the campaign resources to go far: he is a shoo-in for the second round of the presidential election. What is not so clear is whether or not he can surpass the center-right's traditional threshold of 48 percent in a probable January 2009 runoff, where he is likely to face former president Eduardo Frei. End comment.

SIMONS